

**STATEMENT OF DAVID J. BARRAM
ADMINISTRATOR, GENERAL SERVICES ADMINISTRATION
BEFORE THE
SUBCOMMITTEE ON TREASURY AND GENERAL GOVERNMENT
COMMITTEE ON APPROPRIATIONS
HOUSE OF REPRESENTATIVES**

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Mr. Chairman and Members of the Committee:

I am Dave Barram, Administrator of General Services, and I am pleased to appear before you this morning to discuss the fiscal year 2001 budget request for the General Services Administration (GSA).

GSA is the Federal Government's central management agency for administrative services. GSA's mission is to provide policy leadership and expertly managed space, products, services, and solutions, at the best value, to enable Federal employees to accomplish their missions. Our principal goals are to promote responsible asset management, to compete effectively in the Federal market, to excel at customer service, and to anticipate future workplace needs. We believe that our dual policy and operational roles provide a unique capability to ensure high performance and cost effectiveness in Federal work environments.

As GSA celebrates its 50th year as a provider of workspace, technology, products, services and policy for the Federal Government, we continue to seek innovative ways to fulfill our mission in the new millennium.

ACCOMPLISHMENTS

Before addressing the specifics of the budget request, I would like to put it into the perspective of where we have been and where we are going. GSA has been the Federal Government's "reinvention engine" of the 1990s, realigning our business lines and our workforce, and redefining our role. As a non-mandatory source of services, we are committed to adding value for all of our customers, with low-cost telecommunications services, efficient property management, and cost-effective Federal contracting vehicles. We are committed to thrilling our customers with innovative operating and policy solutions to meet their needs. We are moving toward more partnering, more alliances, joint ventures and outsourcing. For example, we have established partnerships with the Census Bureau and the Internal Revenue Service, in order to better meet their unique needs. We are creating an enduring legacy of public architecture. We are committed to measuring our performance against the best in class organizations, and our efforts are beginning to pay off. We are on the cutting edge in developing and implementing new information technology practices and solutions for electronic government, electronic commerce, and electronic information security.

This enthusiasm for innovation is apparent in everything we do under both our policy and operational roles. Our Office of Governmentwide Policy (OGP) provides the leadership needed to develop and oversee the implementation of policies designed to achieve the most cost-effective, innovative solutions for the delivery of administrative services. For example, we are working collaboratively with agencies on complex policy solutions for electronic commerce including smart card technology, leading the civilian sector in security

solutions related to Internet use, promulgating regulations in plain language, and creating shared databases for interagency access through the Internet. GSA has been playing a leadership role in such efforts as the Vice President's Access America Plan to link the Government and the public together electronically.

Using obligations as an indicator of business volume, our fiscal year 2001 budget program will be about \$15.5 billion, most of which will be funded in the form of revenues from other agencies for goods and services. GSA revenues have steadily grown each year, thanks to the successful strategies which make GSA an extremely competitive and cost-effective source of goods and services. At the same time, we have significantly streamlined our organization. Budgeted fiscal year 2001 employment of 14,216 full-time equivalents (FTEs) is almost 30% below fiscal year 1993 levels, and is 25,000 below our peak workforce of the early 1970's. We are, in fact, doing more - and doing it better - with less.

It is also worthwhile to note that the vast majority of GSA funding – 93.1% – is ultimately channeled to the private sector. Of the anticipated \$15.5 billion budget program, only \$1.1 billion, about 6.9%, is for salaries and benefits of GSA personnel. The rest will be contracted with private vendors, directly or through revolving funds, for the purchase of goods and services.

In addition, the agency will put in place contractual mechanisms through which all Federal agencies in FY 2001 will directly place over \$33 billion in commercial purchases, up almost 26% compared with FY 1999. We have simplified and expanded the use of

multiple award schedules and purchase agreements to further streamline the acquisition process, and the President, Vice President, and Department of Defense have endorsed the use of GSA's schedules. We get great deals for the Government by leveraging vendor-competitiveness and the size of the Federal market to contract for top quality goods and services at a discount. For example:

- The Contract Airline City-Pairs program provides Federal travelers discounts of 68% from published unrestricted coach fares, with no advanced booking requirements or penalties for changes. The contracts covered about 5,500 routes, yielding \$2.5 billion in annual savings in FY 1999.
- Overnight package delivery is priced 45% lower than comparable corporate rates, with a money-back guarantee for late delivery.
- Negotiated agreements with motor carriers on freight shipments result in charges to Federal customers 45% to 47% less than regular tariff rates.
- Vehicle fleet services are very cost-effective, with compact sedan acquisitions providing an average of 20% savings compared to commercial "Black Book" prices. (The *Black Book Lease Guide* is recognized by the automotive industry as an authoritative baseline for invoice and retail prices.)
- FTS2001 is a continuation of GSA's excellent performance over ten years with FTS2000, bringing the lowest possible long distance telecommunication prices to our Government users. The FTS2001 contracts, estimated at over \$5 billion

over the eight year contract period, were awarded at the beginning of 1999.

Currently about 15.9% below the lowest commercial rates, prices will be reduced to less than a penny a minute by the end of the contract period. GSA is also conducting telecommunications acquisitions in major metropolitan areas across the country, as a way of establishing competition for local telecommunication services. These acquisitions, known as Metropolitan Area Acquisitions (MAAs), began in May 1999, with contracts awarded in San Francisco, New York and Chicago, which resulted in an average price reduction of 70% for local line charges in those cities. These contracts, among others to be awarded in FY 2000, will help GSA realize its ultimate goal of delivering end-to-end competitive telecommunications services to Federal customers.

- GSA's award of the ten-year \$9 billion Seat Management contracts have the potential to revolutionize the way the Government acquires information technology. These contracts provide desktop computing as a pure, non-owned service that encompasses the hardware, software, connectivity, management, operation, and maintenance of the desktop environment and its associated network infrastructure. The contracts are increasingly being used in the private sector, and allow for frequent system upgrades, enabling Government customers to keep abreast of rapidly advancing technology while controlling costs and standardizing compatible systems across their agencies.
- Our success in offering information technology services is reflected in the rapid growth of our programs, from \$1 billion in FY 1993 to an estimated \$4.3 billion in

revenue in FY 2001. Our Information Technology Solutions business line provides world-class hardware, software and services to meet the wide variety of Federal technology needs.

Making it easier for Federal agencies to purchase items at the best price is only part of the story. We are actually changing Government procurement, and technology is helping us pave the road to a new way of buying in the 21st century. To expand and promote electronic commerce, we made over 800,000 products available on-line in FY 1999, through our *GSA Advantage!*, an Internet-based ordering system. Our goal is to have 95% of all FSS contracts on-line by the end of FY 2001.

As we shift to new technology, we have been reviewing, along with our labor partners, the viability of the Federal Supply Service's national supply distribution system and the operations of the existing warehouses. On March 20, 2000, we announced that six of our eight supply distribution facilities would close by April, 2001, with the distribution centers at Burlington, New Jersey, and Stockton, California, remaining open and absorbing and adjusting work to accommodate the changes. The net result will be a streamlined distribution system, which will continue to serve customers, both foreign and domestic, at a reduced cost of operations and with a greater reliance on today's and tomorrow's commercial distribution channels.

We have much to be proud of in the real property arena. We have established nine key performance measures, which have allowed our 11 regions to compete among each other to do our business in the best, fastest, and most cost-effective manner possible.

Regional budget allocations and even individual performance awards are tied directly to a region's ability to meet specific performance improvement targets.

Some of our successes include:

- Non-revenue producing space, both owned and leased, reduced from 13% to 10% in just the last fiscal year.
- Operating costs per square foot of office space are 13% below private sector.
- 80% tenant satisfaction in both leased and government-owned space.
- Average lease acquisition time down 38%, from 244 days in 1996 to 152 days in 1999.
- We continue to be a world leader in energy efficiency. Utility costs in office space are already more than 25% below the private sector. GSA's energy consumption was reduced by 17.3% from 1985 to 1999, and our goal is to reduce by an additional 2.7% by the end of FY 2000, and an additional 10% by the end of FY 2005.

In addition to bottom-line cost effectiveness, GSA is committed to improving the quality of life for Federal employees, as well as promoting such broad socioeconomic goals as improving environmental quality and increasing access to technology.

- GSA is a leader in family-friendly workplaces. We now manage 113 Federal child care facilities, serving approximately 7,900 children. 77% of our centers are accredited, compared to 5% for all childcare centers nationwide. Our goal

is to achieve an 85% accreditation rate in FY 2000, and a 97% accreditation rate in FY 2001. In FY 1999 we made computers and Internet access available to all the childcare centers.

- We also continue to seek new ways to make Federal childcare more affordable. I am proud that GSA is one of the first agencies to implement new Federal regulations allowing tuition subsidies for our lower-income employees in FY 2000.
- GSA will manage the Computers for Learning program website, to aid in the donation of surplus computer equipment to schools and non-profit education groups.
- GSA's Federal recycling efforts in approximately 1,100 buildings will result in the diversion of over 41,000 tons of recyclable materials away from landfills in FY 2001. GSA used its share of the proceeds from the recycling program for tuition assistance to needy families using our childcare centers.
- GSA's fleet experiments with innovative technologies, such as alternative-fuel vehicles (AFVs), led to GSA's induction into the Clean Air Hall of Fame. GSA has purchased over 27,000 AFVs since FY 1991, 23,000 of them for the GSA fleet.
- GSA remains committed to purchasing from small business. Approximately 77% of FSS' Schedules Program contracts are awarded to small business.

These accomplishments are both individually significant and a direct result of GSA's Strategic Plan, submitted to Congress in September 1997, in accordance with the Government Performance and Results Act. The goals and objectives of the Strategic Plan have been translated into specific performance goals under each of the agency's major programs, with output, outcome, or other performance measures used to gauge the success of the effort. These data are reflected in GSA's 2001 Performance Plan, and are integrated into the detailed budget justification materials submitted to the Committee. We think that these will help demonstrate what we have long believed: that a dollar invested in GSA is a taxpayer dollar well spent. We do a good job of taking care of those dollars, by the way – GSA earned an unqualified audit opinion for the twelfth consecutive year in FY 1999.

FY 2001 BUDGET REQUEST

I would now like to turn to the specifics of the budget request. As mentioned earlier, much of our planned \$15.5 billion program for fiscal year 2001 is provided by revenues from our customers. We are asking the Committee to provide \$189 million for GSA direct funded operations, which includes \$8 million from real property disposal proceeds. We are also requesting \$6.3 billion in new obligational authority (NOA) to spend available resources in the Federal Buildings Fund (FBF), and an appropriation of \$682 million. Our request is shown by account in the following table:

<p align="center">The Fiscal Year 2001 Program Requiring Congressional Action \$(Thousands)</p>			
	FY 1999 Actual	FY 2000 Current	FY 2001 Budget
<i>Operating Appropriations:*</i>			
Policy and Operations**	108,115	118,223	144,980
Office of Inspector General	31,746	33,317	34,520
Allowances, Former Presidents	2,024	2,241	2,517
Presidential Transition	0	0	7,100
Budget Authority/Appropriations	\$ 141,885	\$ 153,781	\$ 189,117
<i>Federal Buildings Fund New Obligational Authority:</i>			
Construction & Acquisition of Facilities	533,114	87,079	779,788
Repairs and Alterations	681,828	665,611	721,193
Installment Acquisition Payments	215,764	201,646	185,369
Rental of Space	2,670,203	2,985,685	2,944,905
Building Operations	1,573,814	1,573,909	1,624,771
Columbia Hospital for Women	0	14,000	0
Total New Obligational Auth. (NOA)	\$ 5,674,723	\$ 5,527,930	\$ 6,256,026
Total FBF Budget Authority	305,632	(54,139)	745,003
Total FBF Appropriations	450,018	0	681,871
<p>* FY 1999 Actual column for <i>Operating Appropriations</i> represents obligations.</p> <p>**1. FY 1999 and FY 2000 do not include amounts for Year 2000 (Y2K) emergency program, or transfers from DC Government Appropriations for Lorton.</p> <p>2. FY 2000 Current includes pending \$2 million supplemental for Critical Infrastructure Protection Program.</p> <p>3. FY 2001 Request includes \$8 million from real property disposal proceeds.</p>			

Operating appropriations, while only about one percent of the total proposed budget, are a vitally important part of the program. They support our Governmentwide policy function, the Office of Inspector General, and other direct funded programs. The \$189.1 million requested is \$37 million above levels enacted in fiscal year 2000 (not including the proposed supplemental). This net increase is made up primarily of the following increases:

- \$15.4 million related to the President's initiative on Critical Infrastructure Protection (CIP), to deter and respond to cyber attacks across the Government.

\$5.4 million is included for the Federal Computer Incident Response Capability (FedCIRC) program, which will ensure that the Government has critical services available to withstand or quickly recover from attacks against its information resources and systems. \$10 million is included for designing a Federal Intrusion Detection Network (FIDNet) to protect vital systems in Federal civilian agencies by identifying, isolating and responding to unauthorized intrusions.

- \$7.1 million for Presidential transition.
- \$3.3 million for the Lorton Correctional Complex closure.
- \$8 million for other disposal activities, funds for which are appropriated from property receipt balances.
- \$4.5 million for pay raise and inflation.
- \$2 million for electronic government.
- \$2 million for GSA's Regulatory Information Service Center and OMB's Office of Information and Regulatory Affairs Consolidated Information System (ROCIS) upgrade for oversight of Federal regulatory activity.

These increases are offset by decreases for several one-time costs incurred in FY 2000, including decreases of:

- \$1.4 million for Governors Island.
- \$3.7 million for transfer of the Federal Information Center to the Federal Consumer Information Center fund.
- \$2 million for Digital Learning Technologies.

The Federal Buildings Fund (FBF) finances GSA's real property activities, except for disposal. \$6.3 billion in NOA is requested for the FBF. We are proposing a \$1.5 billion capital program, which if approved would be the largest since 1994.

The FY 2001 budget for the Federal Buildings Fund reflects a significant construction program, including:

- \$488 million for seven new federal courthouse projects. This funding request reflects the Administration's proposal on courtroom sharing as a cost-effective means for providing the space needed by the courts.
- \$18 million for seven Border Station projects.
- \$101 million for consolidation of the Food and Drug Administration Headquarters. Advance appropriations of \$443 million are also requested, over three years, to complete the project.
- \$83 million for a new, consolidated, high security headquarters for the Bureau of Alcohol, Tobacco and Firearms.
- \$58 million for a new United Nations U.S. Mission facility in New York City.
- \$6.1 million for site and design for a new FBI facility in Houston, TX.
- An advance appropriation of \$34 million in FY 2002 is requested for a new National Oceanic and Atmospheric Administration (NOAA) ADP facility in Suitland, Maryland.

Our proposed fiscal year 2001 capital program also emphasizes repairs and alterations. More than half of our government-owned buildings are over fifty years old and nearly a quarter of the inventory bears historic designation. Our first capital program priority, therefore, must be repairs and alterations of our existing inventory to ensure that its value and condition do not decline. For fiscal year 2001, we are proposing a \$721 million repairs and alterations program, \$56 million higher than the \$666 million approved for fiscal year 2000.

Our annual repairs and alterations program is approximately 2.5 percent of the inventory's replacement value, which falls within the range (2-4 percent) of private sector practice. However, given the age of the inventory, we are currently studying what is an appropriate level of funding.

To help allocate the limited resources of the FBF for repair and alteration projects, we use a Return on Investment (ROI) methodology. ROI determines if a project adds or detracts from the net income the building contributes to the FBF after project completion. Simply stated, if we invest dollars in a building, we want to make sure that the investment will bring increased revenues. Using a ROI approach to evaluate projects assists in our efforts to strengthen the long-term fiscal health of the FBF.

Some of the initiatives funded by the \$721 million Repair and Alteration program include:

- The recapture of 920 thousand square feet of vacant space, which will generate \$20 million in annual revenue to the FBF.

- Continued investments in security enhancements, such as a glass fragment retention program for windows in Federal buildings.

Under operating programs, the \$2.9 billion budget for Rental of Space is based on projections of a 2.6% increase in inventory, or 4.2 million square feet. While many agencies are downsizing and releasing unused space to us, others, such as the Departments of Justice and Interior, are expanding. Market rents that we pay for space also continue to increase for the portion of inventory that will be subject to new lease agreements (about one-sixth of our leased inventory turns over every year). Due to the strong economy, market rents across the country continue to rise more steeply than the inflation rate—as much as 5-10% in a number of large markets.

The \$1.6 billion budget requested for Building Operations in FY 2001 funds building services provided by PBS for facilities occupied by Federal Government employees, including cleaning, protection, maintenance, minor repairs, and utilities. This year's request is \$51 million higher than the budget approved for FY 2000. The increase is for pay raises and inflation, new space entering the inventory, and expanded use of contract broker services. These increases are partially offset by savings achieved through cost-containment strategies and benchmarking efforts. We are operating our buildings at a level that is 13% below the private sector.

The funding levels achieved in the FY 2001 request reflect our improved stewardship of the FBF. The accuracy of our revenue forecast has improved dramatically,

and our operating cost efficiencies have produced additional revenues for capital investment.

Mr. Chairman, this concludes my formal statement, and I would be glad to answer any questions about our accomplishments or proposed budget program.